

Internal Revenue Service
Director, Exempt Organizations
Rulings and Agreements

Department of the Treasury
P.O. Box 2508 - Room XXXX
Cincinnati, Ohio 45201

Number: 200943040

Release Date: 10/23/2009

Employer Identification Number:

Date: July 30, 2009

Person to Contact - ID#:

Contact Telephone Numbers:

LEGEND

UIL 4945.04-04

B= Name of Organization

x= Grant amount

y= Grant amount

Dear :

We have considered your request for advance approval of your grant-making programs under section 4945 (g)(1) of the Internal Revenue Code, dated, December 12, 2008.

Our records indicate that B was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that B will be awarding maximum two-year College Preparatory Scholarships to several students in the 11th and 12th Grades in amounts not to exceed x. Recipients will be chosen from two to three high schools. The funds will be used to cover the cost of academic tutoring, college counseling services, Scholastic Aptitude Test preparation courses and testing fees, and up to six college application fees. Once enrolled in an accredited College or University, the Scholar will be eligible for a four-year College Scholarship, up to an additional amount of y per academic year. The funds will be used for tuition, books and study materials, housing, student fees, computer equipment and training, and travel directly related to the education, including travel and study abroad at an accredited educational institution.

Scholarship recipients shall be selected based on the following qualifications and criteria:

- Must have attained a minimum cumulative 2.5 Grade Point Average or better on a 4.0 scale between the 10th grade and the first semester of the 11th grade, and the recipient must maintain this minimum average through graduation.
- The recipient must demonstrate the following personal characteristics:

- a. Exemplary character, integrity and ethics;
 - b. A passion and commitment to personal achievement, demonstrated through hard work, consistent effort, and performance both in school and in the community;
 - c. A strong desire to advance through education;
 - d. Demonstrated willingness to serve others and benefit the community, through volunteer efforts in the school or in the larger community, or through work experience.
- The family of the Scholar, especially the parent(s) or guardians, must demonstrate a strong desire to support the academic efforts of the student.
 - Each applicant shall submit a written application to the Foundation, which sets forth the above. The Application shall include a personally written Statement of Intent that expresses the background and goals of the applicant.
 - Two letters of Recommendation, each of which must be submitted by an individual unrelated to the Applicant, shall accompany the application. One letter shall be submitted from a teacher or administrator at the high school, qualified to comment on the Applicant's academic performance, potential and effort. The second letter may come from adult leaders or coordinators in community groups, employers, or family friends. Each of whom is qualified to judge one or more aspects of the Applicant's work effort, attitude and character, leadership and motivations.
 - At the end of the first academic year of the College Preparatory Scholarship and each academic year thereafter, the Scholar must demonstrate that he or she has achieved a minimum grade point average and submit an official school transcript to the Foundation. The Scholar must also submit a letter reporting on such student's activities during the academic year.
 - Every applicant must be a citizen of the United States.
 - The Applicant must certify that he or she has not been convicted of any felony, is not currently and will not in the future, utilize non-prescribed narcotics or prohibited substances, and will not drive while intoxicated or have consumed liquor beyond the legal limits of the state in which he or she is driving.
 - The Scholarship is awarded on the basis of merit. However, preference will be given to students whose parents or guardians have financial need. No specific documentation is required to establish financial need, but such statement must be signed by the parent or guardian.

The selection committee will consist of the Board of Directors of the Foundation. All scholarship recipients will be unrelated to the members of the selection committee. The Foundation does not discriminate against applicants based on race, color, or gender.

Each scholar will be required to sign a Scholarship Agreement, which specifies the academic and behavior criteria under which the scholarship is awarded. A failure to adhere to these standards will cause revocation of the scholarship. B anticipates retaining contact with scholarship recipient and the

educational institution, through which they will be able to assure the proper use of the funds and the continued adherence to the Agreement.

The organization agrees to maintain records which include the following:

- a. Information used to evaluate the qualification of potential grantees;
- b. Identification of the grantees (including any relationship of any grantee to the private foundation), the amount and purpose of each grant; and any follow-up data collected.
- c. All grantee reports and other follow-up data obtained in administering the private foundation's grant program.
- d. All reports prepared by the Selection Committee.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the Provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b) (1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your scholarship program will be conducted as proposed with objectivity and nondiscrimination in awarding grants, we determined that your procedures in awarding scholarship grants comply with the requirements of section 4945(g)(1) of the Code and that scholarships granted according to these procedures will not be "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your grant-making procedures is a one-time approval of your system standards and procedures that will result in grants which meet the requirements of section 4945(g)(1) of the Code. **This determination only covers the grant programs described above.** Thus, approval shall apply to succeeding grant programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all grant distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi
Director of Exempt Organizations
Rulings and Agreements

Based on additional modifications to the approval letter, our letter dated April 24, 2009 is hereby superseded.